

MODIFIED 12--17-07 at 3:30 p.m.

Workgroup #4 - Health Care Coverage

GOAL 1: To lower health care costs and to insure greater access to health care.

GOAL 2: To require that all Iowans have health care coverage that meets certain minimum requirements and is affordable.

GOAL 3: To provide subsidized health care coverage to low-income Iowans who presently do not have health care coverage, especially employees of small businesses with less than 50 employees.

GOAL 4: To protect high risk Iowans from excessive out-of-pocket costs; provide a mechanism for making mandatory participation in insurance coverage as easy as possible; ensure that each individual has a guaranteed source for purchasing coverage; ensure administrative costs associated with delivering subsidies are kept as low as possible; and, critically, identify sufficient sources of financing.

THE CHALLENGES

Iowa has the third lowest uninsured rate in the United States and is ranked second among all states in a recent national comparison of health system performance. However, it is estimated that approximately 9% of the state's three million residents are uninsured. The challenges include:

Uninsured Children.

In 2005 an estimated 750,000 children lived in Iowa and 3-6% of those children were uninsured at any given time. Approximately 75% of the uninsured children were eligible for either Medicaid or hawk-i, the Iowa State Child Health Insurance Program(SCHIP), but were not enrolled.

Uninsured Adults. Approximately 13% of Iowa's adults aged 19 through 64 years old are uninsured. In addition, 81% of uninsured adult Iowans are employed, and many work two or more jobs. Of the remainder, 14% are disabled and 5% are unemployed. Uninsured adults typically earn low wages with 60% of them earning less than \$30,000 per year.

Uninsured Pre-Medicare Adults. Uninsured adult Iowans who are near-seniors aged 55-64 years old face unique challenges that other uninsured adults may not face. If they retire early or lose their jobs while they are not yet eligible for Medicare they may have few options for coverage because of their age and preexisting conditions and the coverage that is available may be very expensive.

Uninsured Young Adults. Uninsured young adults aged 19-25 years old are sometimes referred to as "the invincibles". These young adults may be uninsured because they have aged out of their family's health insurance coverage or public health coverage and either can't afford or don't see a need to purchase health insurance. Although health care costs of this age group are generally relatively low, they also have the highest incidence of accidents and the cost to provide them with public or uncompensated care is increasing each year.

Uninsured Employees of Small Businesses. The vast majority of uninsured adult Iowans work for small businesses with less than 50 employees and many with less than 10 employees. The small business workforce generally has lower wages than that of larger employers.

Small businesses face disadvantages relative to large employers in providing health insurance to their employees. The smaller size of their groups results in higher administrative costs of insurance and limited ability to spread health care risk which in turn necessitates higher premiums, adding to making the insurance unaffordable for both the small businesses and their employees.

As a result, only 36% of businesses with fewer than 10 employees offer health insurance to any of their workers, compared with 94% of businesses with 50-249 employees and 100% of businesses with 1,000 or more employees. Only about 46% of employees of small businesses with less than 10 employees are offered and eligible for enrollment in their employer's health insurance plan, compared with 88% of workers employed in businesses with 100 or more employees. Workers in the smallest businesses are also less likely to accept employer offers of health insurance than their large business counterparts, although some of these employees may receive coverage through a spouse who is employed by a larger business.

Large Employers. Rapidly escalating costs of health care are also creating difficulties for larger businesses and their employees. Employers are often increasing deductibles and co-pays or otherwise reducing benefits in an effort to slow down their increasing costs putting an added burden on their employees. While Iowa has not yet had a significant number of large employers terminating their health insurance coverage, this may well be the result in the future if health care and health care coverage costs continue to escalate at their current pace.

THE RECOMMENDATIONS

I. Commission Proposal #1 - All Iowans will have health care coverage that meets certain minimum requirements and is affordable. Iowa should move as quickly as possible to achieve this goal by:

A. Maximizing the use of existing federally supported health care coverage with the following priorities:

1. Cover all children eligible for Medicaid and hawk-i by July 1, 2009.
2. Cover parents of Medicaid and hawk-i eligible children.
3. Continue to expand options for individuals who are dually-eligible for Medicare and Medicaid (typically the chronically disabled) by utilizing evidence-based care.

B. Maximizing the use of state and private financial support with the following priorities:

1. Require all remaining children and adults to have health care coverage.

2. Provide sliding-scale, subsidized coverage to low-income, uninsured individuals and families with incomes below 300 % of the federal poverty level (FPL) equivalent to the SCHIP coverage presently provided through the hawk-i program, as funding becomes available.

C. Progressing toward a requirement that all Iowans have health care coverage that meets certain minimum specifications.

1. Iowans who can afford health care coverage must purchase it themselves either directly through the private insurance market or through the new Iowa Health Care Coverage Navigator.
2. Iowans who cannot afford to purchase health care coverage will receive state funding/subsidization to purchase coverage through the new Iowa Health Care Coverage Exchange.

D. Ascertaining the true costs of achieving universal health care coverage in Iowa.

1. The commission currently has insufficient data to know the true costs of achieving universal health care coverage. All Iowans now have access to immediate health services. Unreimbursed care is often provided in the most expensive manner (hospital emergency rooms and at advanced stages of disease/injury). These expenditures are buried in the system.
2. The commission needs a methodology to take the dollars already being spent and use them in a more effective and efficient manner.
3. To understand the true economics of achieving universal health care coverage in this state, the following steps should be initiated in 2008:
 - a. Define the minimum specifications for health care coverage plans that balance desires for flexibility, affordability, and comprehensiveness by:
 - (1) Encouraging wellness, prevention, and diagnosis.
 - (2) Covering catastrophic expenses.
 - (3) Providing a reasonable level of basic care.
 - (4) Including prescription drugs.
 - b. Define parameters for affordability and levels of subsidization of private insurance premiums by:
 - (1) Creating an affordability schedule that is conservative to prevent harm to people who are struggling financially and that utilizes a progressive scale of decreasing subsidization as incomes increase.
 - (2) Requiring people with very low incomes to pay only small amounts toward health care coverage with no financial penalties. Research shows that many low-income people struggle to pay for basic necessities and are likely to have negative cash flow. In Massachusetts, studies indicate that families with incomes below 300 percent of FPL may not have enough earnings to cover even basic needs.
 - (3) Setting the upper bound of affordability at about 8.5 percent of income. Data shows that people with higher incomes can reasonably afford health insurance at that level of contribution. People with unsubsidized, nongroup premiums currently pay an average of 8.5 percent of their income on health insurance.

- c. Commission a study to determine the costs to achieve this goal and the potential monies that might be available through various funding strategies such as general tax revenues, tobacco taxes, premium payments by insureds, maximizing federal dollars, demonstrated cost controls, health insurer assessments (including self-funded plans), assessments of hospitals, health providers, and medical equipment, and junk food and other creative assessments.
- d. Encourage, but not require, employers to participate in providing and partially funding health insurance for their employees. Employers not participating at a minimum specified level would be required to help fund the Iowa Health Care Coverage Exchange Pool. For example, an employer who does not provide health insurance coverage to employees or who does not make contributions to health insurance for employees would be required to pay an assessment to the Pool. If an employer provides insurance and makes a contribution on behalf of an employee but the coverage is still not affordable for that person, the employer would pay the amount of the contribution to the Pool to assist the employee with purchasing insurance through the Exchange or could further subsidize the employer's plan to make it affordable for the employee.
- e. Develop a process for enforcing the health care coverage requirement that could include:
 - (1) Requiring every individual to have and report health care coverage and failure to do so will result in assignment of that individual to a plan by the Exchange.
 - (2) Requiring certain employers (who employ a specified number of employees) to provide and report minimum required health care coverage/contributions for employees and to pay an assessment for failure to do so - e.g. contributions to Iowa Health Care coverage Exchange pool for cost of their employees' coverage (possible ERISA issues).
 - (3) Monitoring health care coverage of children through school enrollment procedures.

E. Collaborating with the private insurance market.

- 1. Assure the availability of private insurance coverage for all Iowans by working with the insurance industry to design solutions to guaranteed availability/issue, preexisting conditions exclusions, portability, and allowable/required pooling and rating classifications
- 2. Formulate a set of principles for ensuring fair and appropriate practices for individual market policy rescission and preexisting condition clauses along with a binding third party review process to resolve disputes related to preexisting condition exclusions and rescission decisions.

F. Establishing a transition period.

- 1. Transition period from July 1, 2008 to whenever Iowa has implemented effective mandated universal coverage .
- 2. Prior to the time that a program is implemented that effectively ensures all

Iowans have health insurance coverage, establish a plan using the high risk pool to improve accessibility to health insurance at reasonably affordable rates for all and to provide that:

- a. Insurers would take everyone rated up to 200 percent of standard at a maximum premium rate of 150 percent of the standard rate.
- b. Anyone over 200 percent of standard goes into a state plan (high risk pool) at 150 percent of standard premium rates. The state picks up the extra cost.
- c. There is an open enrollment period when anyone can enroll with no preexisting condition exclusion.
- d. Guaranteed issue insurance coverage with no preexisting condition exclusion is available for anyone moving from another health plan with no more than 63 days' lapse of coverage.

(a-d need further explanation to be understandable to non-insurance people)

G. Providing universal coverage with no preexisting condition exclusions.

1. Once Iowa has in place a program to effectively ensure that all Iowans have health insurance coverage, health insurers will make coverage available on a guaranteed issue basis to everyone with no preexisting condition exclusions if the Exchange determines that is the best approach.

H. Pooling and Rating Classifications.

1. Pooling and rating classifications will need to be determined that balance principles of equity, fairness, and cost-sharing and that best facilitate the goal of affordable coverage for all.
2. Along with other issues, these determinations would address the questions of age rating and the possible combination of individual and small group coverage.

II. Commission Proposal #2 - Creation of Iowa Health Care Coverage Exchange, a quasi-public/private agency, to help individuals and businesses to comply with and to implement and facilitate universal health care coverage for all Iowans and to lead healthcare quality, safety, and cost reduction initiatives.

A. Board of Directors. The Exchange will be overseen by a separate board of directors comprised of representatives of public and private entities specified by the General Assembly, who are appointed by the governor, and subject to confirmation by the Senate. Include Director of DHS and Insurance Commissioner as voting members. Legislators appointed by leadership as ex officio, nonvoting members. Consider including previous governors as members. (Further specifics on who, what types of expertise, etc. to be appointed to the Board?)

B. Executive Director. The administrative head of the Exchange will be appointed by the Board of the Exchange, subject to confirmation by the Senate. Initial funding for the agency will be from general funds, through the Health Care Trust Fund, and later funding from the revenues in the Iowa Health Care Coverage Exchange Pool.

C. Participation.

1. Individuals and small groups subject to the requirement to have health insurance coverage, that do not select a private health insurance plan will automatically be represented by the Exchange.
2. Other public tax-supported benefit plans, including Medicaid and public employees' health insurance plans will be integrated into the Exchange's health care purchasing efforts. The benefits under these plans will not change but the discounts secured in providing the benefits will be uniform and could be significantly reduced from current expenditures.

D. Powers. The Exchange will have broad authority to:

1. Work with insurers to design affordable, portable health insurance plans that meet the needs of low-income populations. This might include specialized plans such as lower- cost health coverage products for 19-29 year olds.
2. Establish, by rule, what constitutes minimum acceptable health care coverage within parameters set by statute.
3. Implement a health care coverage program called "Iowa Choice Care" which provides subsidized private coverage to individuals and families who do not meet eligibility guidelines for any other program, with rolling implementation expanding to specified subgroups of low-income adult Iowans based on availability of funding and provides affordable, unsubsidized private coverage to anyone who desires to purchase it, including individuals, families, and employees of small businesses.
4. Administer a subsidy program for payment of premiums for health care coverage by low-income people that complements, not supplants Medicaid, and includes cost-sharing by the insured using a sliding scale based on income, utilizing the federal poverty level guidelines. May include subsidizing an employee's purchase of health care insurance offered by that person's employer.
5. Implement initiatives such as uniform applications and other standardized administrative procedures, that make the purchase of insurance easier and that lower administrative costs, which may include determining an equitable administrative cost formula.
6. Implement initiatives that allow portability of insurance between employers for part-time workers who work more than one job or for people who change jobs.
7. Determine premiums by establishing rates to ensure affordability.
8. Define what constitutes "affordable" health care coverage by establishing what percentage of income can reasonably be spent on health care coverage, e.g. 5% of income in SCHIP or an amount determined by modeling.
9. Initiate and manage programs aimed at improving quality and safety and controlling health care costs.
10. Encourage (or require) employers to offer Section 125 plans which allow individuals to purchase insurance using pre-tax dollars, resulting in substantial savings on state and federal income and federal FICA taxes for employees and FICA withholding taxes for employers (possible ERISA issues).
11. Implement the program in accordance with a time frame established by statute. The administrative rules review committee will provide oversight regarding implementation through the administrative rulemaking process.

III. Commission Proposal #3 - Institute Insurance Reforms.

A. Private Insurance Coverage - Availability. Assure availability of private insurance coverage for all Iowans by working with the insurance industry to design solutions that address the following:

1. Guaranteed availability/issue
2. Pre-existing conditions exclusion
3. Portability
4. Allowable/required pooling and rating

classifications.

B. Insurance Reforms. Insurance reforms should include:

1. A set of principles for ensuring fair and appropriate practices for individual market policy rescission and pre-existing condition clauses along with a binding 3rd party review process to resolve disputes related to pre-existing exclusions and rescission decisions.
2. Prior to the time that Iowa implements a program that effectively ensures all Iowans are covered by health insurance, implement a plan using the high risk pool to improve accessibility at reasonably affordable rates for all.
3. Insurers would take everyone rated up to 200% of standard at a maximum premium rate of 150% of the standard rate.
4. Anyone over 200% of standard goes into a state plan (high risk pool) at 150% of standard premium rates. The state picks up the extra cost.
5. There is an open enrollment period(s) when anyone can enroll with no pre-existing condition exclusion.
6. Guaranteed issue with no pre-existing exclusion is available for anyone moving from another health plan with no more than 63 days lapse of coverage.

C. Guaranteed Issue. Once Iowa has in place a program to effectively ensure that all Iowans are covered by insurance, health plans will make coverage available on a guaranteed issue basis to everyone with no pre-existing condition exclusions.

D. Use of Pooling and Rating Classifications. Pooling and rating classifications will need to be determined that balance principles of equity, fairness, and cost sharing and that best facilitate the goal of affordable coverage for all. Along with other issues, the questions of age rating and the possible combination of individual and small group coverage should be considered.

E. Coverage of Young Adult Dependents.

1. Require insurance policies to provide coverage under group health plans to dependents up to age 29.
2. Consider this requirement from a cost perspective as well as from the perspective of providing insurance coverage to some of the young adult uninsured Iowans.